

Attachment A: SMUD Resolution No. 01-10-03

Renewable Portfolio and Energy Efficiency Targets

WHEREAS, on August 15, 2001, the General Manager published a recommended Resource Plan designed to improve local reliability, reduce exposure to volatile markets, diversify the District's fuel mix and maintain District leadership in renewable resources and energy conservation; and

WHEREAS, since the District's last business plan update, developed in 1999, the utility industry has experienced dramatic change, resulting in, among other things, significant increases in price and volatility of both the electricity and natural gas markets; and

WHEREAS, in response to some of these changes, by Resolution No. 01-04-03, adopted April 5, 2001, this Board authorized changes to the District's former energy supply policy (superseding Resolution No. 97-02-04, adopted February 6, 1997 and Resolution No. 99-10-03, adopted October 7, 1997, to the extent that those policies were inconsistent with the change) and, instead, declared the following:

"The goal of the District is to provide a competitively priced energy supply to its retail load and to minimize the impact of market price fluctuations, unless the customer has contracted for different terms and conditions. New long-term supplies of energy will not be developed that are in excess of anticipated retail or committed wholesale obligations. New long-term resource obligations will be evaluated on both cost and their ability to reduce the District's overall risk to market prices;" and

WHEREAS, consistent with the revised energy supply policy, by Resolution No. 01-06-08, adopted June 7, 2001, this Board authorized the General Manager to proceed with the design, procurement and construction of the first 500 MW of a new gas-fired generation plant (The Cosumnes Power Plant), together with common site and infrastructure work for an additional 500 MW at the Rancho Seco site; and

WHEREAS, by Resolution No. 01-06-02, also adopted June 7, 2001, this Board directed the General Manager to develop and implement strategies for the District's power supply such that the District's overall net income will meet a debt service coverage ratio (as defined in the District's master bond resolution) of at least 1.50 times with a 95 percent confidence level; and

WHEREAS, due in large part to the current market price volatility and price levels that make it unattractive for marketers to provide direct access service, by Resolution No. 01-04-02, adopted April 5, 2001, this Board authorized the General Manager to suspend the direct access program for a minimum of two years; and

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WHEREAS, by Resolution No. 97-02-02, adopted February 7, 1997, this Board established a Fiscal Policy which continues to endure, which states that the District will maintain rates at least 5 percent below its competition and improve net operating revenue by reducing discretionary costs; and

WHEREAS, the District's current energy supply portfolio consists of approximately thirty-five percent (35%) natural gas-fired generation, and the first phase of the proposed 500 megawatt Cosumnes Power Plant will further increase the District's exposure to natural gas price fluctuations; and

WHEREAS, in order to reduce the risk of exposure to the short term market for electricity and natural gas, it is necessary for the District to develop additional resources whose costs are not correlated with the price of natural gas; and

WHEREAS, one means to accomplish this goal is to further diversify the District's resource portfolio by increasing the amount of energy that can be supplied through renewable resource alternatives, from the current seven percent (7%) to twenty percent (20%) in 2011; and

WHEREAS, the increased energy supplied from renewable resources also will provide quantifiable air quality benefits to the Sacramento community and the environment in general; and

WHEREAS, the District can further reduce its customers' exposure to electricity and natural gas prices by increasing its investment in energy efficiency measures that provide incremental load reductions through targeted incentive programs that do not require expansion of existing infrastructure; and

WHEREAS, the District has conducted numerous public workshops to both disseminate information to the public regarding the General Manager's Proposed Resource Plan and to receive public input about the plan and to discuss its various components directly with the public, District staff and Board members; **NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE SACRAMENTO MUNICIPAL UTILITY DISTRICT**

Section 1. After holding numerous public workshops concerning the General Manager's Proposed Resource Plan, receipt and consideration of public input, debate, and after due deliberation, this Board adopts the Resource Policy set forth in Section 2 below.

Section 2. That, in order to provide a diversified energy portfolio which will reduce District exposure to price volatility associated with electricity and natural gas, and to contribute to the continued improvement of air quality in the Sacramento air basin, the District will do the following:

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- In Phase 1, by 2006, meet ten percent (10%) of all retail load obligation with non-hydro renewable energy, and set a Phase 2 target to increase that percentage to twenty percent (20%) by 2011; and
- Through new energy efficiency measures, reduce new capacity and energy requirements by the equivalent of 50 MWs between 2002 and 2006. Staff will develop Phase II (2011) targets prior to 2005.

Section 3. This Board finds that it is not reasonably foreseeable that approval of the Policy set forth herein will result in either a direct or indirect physical change in the environment. Moreover, specific future activities developed to implement the policy will, to the extent required by CEQA, be subject to environmental review by SMUD's Board of Directors. The Board further finds that this policy does not constitute a project within the meaning of the California Environmental Quality Act. Therefore, no further analysis or preparation of an environmental document under CEQA is required.

Adopted: October 4, 2001